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FISCAL IMPACT STATEMENT

LS 7279

BILL NUMBER: HB 1286

NOTE PREPARED: Jan 4, 2011

BILL AMENDED:

SUBJECT: Property tax assessment issues.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Annual Adjustment Factors:* This bill requires that sales ratio studies must identify the sales adjustment factor used for each sale used in the study.

Undervalued Property: It provides that a retroactive reassessment of undervalued property may be conducted only to correct for physical changes in the property.

Income Capitalization Rule: The bill requires the Department of Local Government Finance (DLGF) to adopt rules to govern gathering and processing information for the application of the income capitalization method and the gross rent multiplier method.

Rule Conflicts: The bill indicates that a rule of the DLGF that conflicts with a statute is void.

Valuation Procedures: This bill specifies that any failure to comply with the procedures of a specific assessing method, this article or any rule of the DLGF that is not in conflict with this article shall be treated as an incorrect valuation.

Appeals: The bill also specifies that failure of an assessing official to comply with statutory appeal procedures, including the requirement that assessing officials bear the burden of proof of proving the validity of an assessment change results in invalidation of the assessment change.

Effective Date: Upon passage.

Explanation of State Expenditures: *Income Capitalization Rule:* The DLGF would have to adopt rules

before March 1, 2012, regarding information gathering and processing as it relates to the income capitalization and gross rent multiplier assessment methods.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Annual Adjustment Factors:* Under current law, the DLGF must review and certify annual adjustments. This bill would require counties to state the annual adjustment factor used to adjust the value of each property identified as being sold in the county's sales ratio study.

Undervalued Property: Under current law, an assessing official may make a change to a real or personal property assessment that the official believes has been undervalued. The change may be made within 3 years of the assessment date (real property) or within 3 years of the date that the return was filed (personal property).

For both real and personal property, this bill would allow a change only if the undervaluation was the result of a physical change in the property. In addition, if a personal property return is in substantial compliance, then the assessment change for undervalued property must be made by (1) September 15th or within 4 months after the return was filed if the change is made by a township assessor, or (2) October 30th or within 5 months after the return was filed if the change is made by a county assessing official.

This provision could reduce the number of changes to assessments of real and personal property due to undervaluation.

Appeals: Under current law, if an assessor changes the underlying parcel characteristics from the previous year's assessment, the assessor must document each change and the reason that each change was made. The assessor has the burden of proving that each change was valid in the case of an appeal.

Under this bill, if a taxpayer appeals an assessment to the Indiana Board of Tax Review (IBTR), the IBTR would change the assessment back to the previous year's assessment if (1) the taxpayer demonstrates that the assessor has not complied with the above requirements or with the appeals statute, and (2) the assessing official cannot prove that the assessed value is correct.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review.

Local Agencies Affected: Local assessing officials.

Information Sources:

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